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GIANT *yellowknife*

MINES

LIMITED

Annual Report

FOR YEAR ENDED

December 31, 1963

21
1963



1963 annual report

ANNUAL MEETING OF SHAREHOLDERS

Thursday, April 16, 1964 at 10:30 a.m.
(Toronto Time) Elizabeth Room,
King Edward Sheraton Hotel, Toronto, Canada



yellowknife mines LIMITED

OFFICERS

President	- - - - -	H. J. FRASER
Vice-President and Managing Director	- - - - -	P. N. PITCHER
Secretary	- - - - -	A. C. CALLOW
Treasurer	- - - - -	J. T. McWHIRTER
Assistant Treasurer	- - - - -	J. D. KRANE
Mine Manager	- - - - -	D. R. DeLAPORTE

DIRECTORS

A. J. ANDERSON	H. J. FRASER
C. R. ARCHIBALD, Q.C.	W. F. JAMES
B. S. W. BUFFAM	H. S. McGOWAN
T. D. CARLSON	P. N. PITCHER

J. DOUGLAS STREIT

CONSULTANTS

A. S. DADSON	- - - - -	Geological
F. R. ARCHIBALD	- - - - -	Metallurgical
J. M. MORTIMER	- - - - -	Metallurgical
W. DUNN	- - - - -	Mechanical

TRANSFER AGENTS AND REGISTRARS

THE STERLING TRUSTS CORPORATION - 372 Bay Street, Toronto 1
REGISTRAR AND TRANSFER COMPANY
50 Church Street, New York 7, N.Y.

BANKERS

CANADIAN IMPERIAL BANK OF COMMERCE - Toronto, Ontario

AUDITORS

GUNN, ROBERTS AND CO. - - - - - Toronto, Ontario

SOLICITORS

ROBERTS, ARCHIBALD, SEAGRAM & COLE - - - Toronto, Ontario

GIANT *yellowknife mines* LIMITED

REPORT OF THE DIRECTORS

To the Shareholders:

Your directors take pleasure in submitting the Annual Report of your Company for the year ended December 31, 1963, which includes the financial statements and Auditors' Report thereon and a report on operations by the Mine Manager.

Your Company had another successful year. The following table summarizes the results of operations compared to those of the preceding year:

	1963	1962
Tons milled	388,190	375,820
Gold ounces produced	245,933	253,189
Gross value of production	\$9,320,394	\$9,512,024
Operating income	\$4,495,237	\$4,701,572
Net income	\$3,988,611	\$4,010,057
Mill heads	0.713	0.763
Overall recovery	87.27%	86.51%
Average price received for gold	\$ 37.76	\$ 37.56
Earnings per share	\$ 0.927	\$ 0.932
Dividends paid per share	\$ 1.00	\$ 0.70

While there was an increase in tons milled, mill heads were down by 0.050 ounces of gold per ton and as a result, the total ounces of gold produced were lower. Gross value of production and net income compare favourably with the previous year; an improvement in the overall recovery and an increased price received for gold were contributing factors.

No provision for income taxes is required as expenditures which were written off in the accounts of one of the predecessor amalgamating companies, may be deducted for income tax purposes. At the current rate of earnings it is expected that some provision for income taxes will have to be made in 1965.

The lower than average grade of the mill heads was in large part due to the mining cycle. As new stoping blocks come into full production it is expected that the grade will improve.

Mine development continued at a normal rate throughout the year. After the year's production, ore reserves were slightly increased at 2,600,000 tons with an average grade of 0.75 ounces gold per ton. An important concentration of ore has been indicated in the northern part of the property between the surface and the 750-foot level. This ore was sufficient to replace a large part of ore mined during the year.

During the prospecting season, field crews were active in the Keewatin District, the Contwoyto Lake and Point Lake areas, Northwest Territories, and in the Carcross area, Yukon Territory. Two interesting properties were acquired north of Point Lake and will be investigated in 1964.

Metallurgical investigation of the ore from the Sudbury property is continuing at the laboratory of Lakefield Research of Canada Limited and the property remains on a care-and-custody basis.

Mr. M. K. Pickard, General Manager, resigned as of July 1, 1963, and your directors wish to record their appreciation for his years of service as Mine Superintendent and as General Manager.

Mr. D. R. DeLaporte was appointed Mine Manager in charge of all Company operations. Your directors also wish to express their appreciation to him and his loyal staff for the excellent conduct of the operations of the Company.

On behalf of the Board,

H. J. FRASER,
President.

Toronto, Ontario,
February 13, 1964.

GIANT

yellowknife mines LIMITED

Comparative Statement of Production and Earnings

Fiscal Year Ended May 31	Tons Milled	Calculated Mill Heads Per Ton	Estimated E.G.M. Assistance	Net Value of Metals Recovered	Average Price Per Ounce of Gold	Operating Cost	Operating Cost Per Ton	Operating Profit before Write-offs	Operating Profit Per Ton	Write-offs and Outside Exploration	Non-Operating Income	Income Tax	Net Profit	Dividends Declared
1949	84,886	0.815	\$ 511,020	\$ 1,962,340	\$ 35.00	\$ 1,467,133	\$ 17.28	\$ 1,006,227	\$ 11.85	\$ 845,465	\$ 6,790	\$	\$ 167,552	\$
1950	126,214	0.708	354,326	2,986,457	37.46	1,826,453	14.47	1,514,330	12.00	1,018,886	5,237		500,681	
1951	151,814	0.842	267,874	4,158,038	37.35	1,997,073	13.15	2,428,839	16.00	1,229,283	6,334		1,205,890	
June 30														
1952	165,846	0.755	615,000	3,854,137	35.79	2,658,570	16.03	1,810,567	10.92	1,631,556	7,981		186,992	
1953	245,559	0.846	680,000	6,012,389	34.20	3,561,546	14.51	3,130,843	12.75	1,632,533	4,906		1,503,216	800,000
1954	275,985	0.785	965,000	6,045,327	34.26	3,704,451	13.42	3,305,876	11.98	1,808,594	22,793	12,000	1,508,075	1,600,000
1955	286,742	0.761	700,000	5,876,857	34.16	3,912,978	13.65	2,663,879	9.29	1,690,938	14,728	4,000	983,669	1,400,000
1956	297,582	0.765	120,000	6,235,926	34.76	4,284,385	14.40	2,071,541	6.96	1,305,198	71,219		837,562	1,200,000
1957	309,673	0.795	105,000	6,396,699	33.75	4,234,517	13.67	2,267,182	7.32	1,304,011	51,901	4,000	1,011,072	600,000
1958	289,220	0.795	340,000	5,331,448	33.85	3,872,120	13.39	1,799,328	6.22	1,070,897	59,919	4,000	784,350	1,200,000
1959	321,002	0.784	280,000	6,397,770	33.81	4,048,047	12.61	2,629,723	8.19	1,043,148	51,060	85,000	1,552,635	1,200,000
June 29														
1960	361,601	0.784	13,687	7,649,230	33.50	4,338,972	12.00	3,323,945	9.19	1,183,330	103,858	490,000	1,754,473	1,800,000
Dec. 31														
1960	181,101	0.795		4,080,679	34.63	2,529,960	13.96	1,550,719	8.56	799,281	86,158		837,596	860,541
1961	366,515	0.779		8,507,473	35.73	4,755,387	12.97	3,752,086	10.24	1,519,007	160,058		2,393,137	1,936,290
1962	375,820	0.763		9,445,300	37.56	4,743,728	12.62	4,701,572	12.51	967,313	245,321	(30,477)	4,010,057	3,012,027
1963	388,190	0.713		9,254,173	37.76	4,758,936	12.26	4,495,237	11.58	815,261	308,635		3,988,611	4,302,903
	4,227,750	0.777	\$4,951,907	\$94,194,243	\$ 35.22	\$56,694,266	\$ 13.41	\$42,451,894	\$ 10.04	\$19,864,701	\$1,206,898	\$ 568,523	\$23,225,568	\$19,911,761

AUDITORS' REPORT

GUNN, ROBERTS AND CO.
CHARTERED ACCOUNTANTS
TORONTO, CANADA

To the Shareholders of
Giant Yellowknife Mines Limited:

We have examined the balance sheet of Giant Yellowknife Mines Limited as at December 31, 1963 and the statements of income and retained earnings for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion the accompanying balance sheet and statements of income and retained earnings present fairly the financial position of the company as at December 31, 1963 and the results of its operations for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Gunn, Roberts and Co.
Chartered Accountants.

Toronto, Canada
February 6, 1964

GIANT *yellowknife mines* LIMITED

(Incorporated under the laws of the Province of Ontario)

ASSETS

CURRENT ASSETS:

	1963	1962
Cash and short term deposits	\$ 835,416	\$ 702,479
Bullion at net realizable value	906,053	1,156,138
Short term securities at cost	5,664,989	5,246,500
Accounts and accrued interest receivable	247,340	117,883
	<u>\$ 7,653,798</u>	<u>7,223,000</u>

FIXED ASSETS:

Buildings, machinery and equipment (note 1)	13,028,556	13,096,234
Less accumulated depreciation	12,082,644	11,575,242
	<u>945,912</u>	<u>1,520,992</u>
Mining claims and properties at cost	1,692,345	1,692,345
	<u>2,638,257</u>	<u>3,213,337</u>

OTHER ASSETS:

Supplies at average cost	955,776	879,273
Prepaid expenses and deposits	129,359	312,269
Shares in subsidiary company at cost	115,005	115,005
Advances to subsidiary company	93,442	92,142
Shares of other mining companies at cost	297,194	297,194
	<u>1,590,776</u>	<u>1,695,883</u>

DEFERRED CHARGES:

Shaft sinking and other development expenditures less amount written off	130,212	215,778
Other expenditures	114,863	122,720
	<u>245,075</u>	<u>338,498</u>
	<u>\$12,127,906</u>	<u>\$12,470,718</u>

BALANCE SHEET, DECEMBER 31, 1963

(with comparative figures at December 31, 1962)

LIABILITIES

	1963	1962
CURRENT LIABILITIES:		
Accounts payable and accrued liabilities	\$ 407,731	\$ 427,660
Royalties payable	155,952	164,543
	<u>\$ 563,683</u>	<u>592,203</u>
SHAREHOLDERS' EQUITY:		
Capital stock:		
Authorized — 4,500,000 shares without par value		
Issued — 4,303,050 shares	5,700,000	5,700,000
Contributed surplus	2,637,276	2,637,276
Retained earnings	3,226,947	3,541,239
	<u>11,564,223</u>	<u>11,878,515</u>
	<u>\$12,127,906</u>	<u>\$12,470,718</u>

NOTES: 1. Buildings, machinery and equipment are stated as follows:
Giant plant — cost to Giant Yellowknife Gold Mines Limited to June 27, 1960 with subsequent additions at cost;
Sudbury plant — as written down by Consolidated Sudbury Basin Mines Limited as at April 30, 1960 less proceeds from disposals subsequent to that date.

2. Consolidated financial statements have not been prepared as the assets and the operations of the subsidiary company, Lolor Mines Limited, are not material in relation to those of the company. As the subsidiary company is developing its mining claims, its net expenditures have been deferred to future operations and its accounts show neither profit nor loss since incorporation.

Approved on behalf of the Board:

P. N. PITCHER, Director.

B. S. W. BUFFAM, Director.

GIANT

yellowknife mines LIMITED

STATEMENT OF RETAINED EARNINGS

For the year ended December 31, 1963

(with comparative figures for 1962)

	1963	1962
Balance at beginning of year	\$3,541,239	\$2,543,209
Net income for the year	3,988,611	4,010,057
	<u>7,529,850</u>	<u>6,553,266</u>
Deduct dividends paid — 1963 \$1.00 per share; 1962 70¢ per share	4,302,903	3,012,027
Balance at end of year	<u>\$3,226,947</u>	<u>\$3,541,239</u>

STATEMENT OF SOURCE AND APPLICATION OF FUNDS

For the year ended December 31, 1963

(with comparative figures for 1962)

Funds were obtained as follows:	1963	1962
Net income for the year	\$3,988,611	\$4,010,057
Depreciation and amortization which did not require cash outlays	597,617	713,405
	<u>4,586,228</u>	<u>4,723,462</u>
Proceeds from disposal of fixed assets	230,024	7,329
Other sources (net)	112,964	29,257
	<u>4,929,216</u>	<u>4,760,048</u>
Funds were applied as follows:		
Dividends paid	4,302,903	3,012,027
Additions to fixed assets	166,995	137,698
	<u>4,469,898</u>	<u>3,149,725</u>
Increase in working capital	<u>\$ 459,318</u>	<u>\$1,610,323</u>
Working capital at beginning of year	\$6,630,797	\$5,020,474
Increase in working capital during the year	459,318	1,610,323
Working capital at end of year	<u>\$7,090,115</u>	<u>\$6,630,797</u>

STATEMENT OF INCOME

For the year ended December 31, 1963
(with comparative figures for 1962)

	1963	1962
METAL PRODUCTION:		
Gold and silver	\$9,320,394	\$9,512,024
Deduct marketing expenses	66,221	66,724
	<u>\$9,254,173</u>	<u>9,445,300</u>
OPERATING EXPENSES:		
Mine operating expenses, other than below	4,312,915	4,341,291
Government of Canada royalty	155,000	125,000
Sudbury Division, general and metallurgical expenses	88,694	76,328
Administrative and corporate expenses	202,327	201,109
	<u>4,758,936</u>	<u>4,743,728</u>
Operating income before depreciation and amortization	<u>4,495,237</u>	<u>4,701,572</u>
Other deductions		
Depreciation	512,051	618,588
Amortization of shaft sinking and other deferred development expenditures	85,566	94,817
Exploration expenditures on contiguous Yellowknife property of Lolo Mines Limited	7,822	56,485
Exploration expenditures, other areas	209,822	197,423
	<u>815,261</u>	<u>967,313</u>
	<u>3,679,976</u>	<u>3,734,259</u>
Interest earned	308,635	245,321
Provision for prior years' income taxes not required	—	30,477
NET INCOME for the year	<u><u>\$3,988,611</u></u>	<u><u>\$4,010,057</u></u>

- NOTES:** 1. No provision for income taxes is required as amounts in respect of development expenditures and buildings, machinery and equipment, which were written off in the accounts of predecessor amalgamating companies, may be deducted from income for income tax purposes. Otherwise, income taxes for 1963 would amount to \$1,190,000 (1962 \$1,200,000) and there would be a reduction in net income of that amount. At December 31, 1963 amounts yet to be deducted for tax purposes, by way of depreciation and other allowances, exceed by \$6,500,000 the net book value of deferred development expenditures and buildings, machinery and equipment.
2. The remuneration of directors, as such, was \$13,830 for 1963 and \$12,132 for 1962.

yellowknife mines LIMITED

REPORT OF THE MINE MANAGER

The President and Directors,
Giant Yellowknife Mines Limited.

Dear Sirs:

The following report reviews the operations of the Yellowknife Division for the fiscal year which ended on December 31, 1963.

PRODUCTION:

	1963	1962
Ore Milled, tons _____	388,190	375,820
Daily Average, tons _____	1,064	1,030
Recovery, gold ounces _____	241,689	248,033
Recovery, silver ounces _____	25,264	25,504
Calc. Mill heads, ounces per ton _____	0.713	0.763
Percentage Recovery _____	87.27	86.51
Recovery from stockpiled residues, gold ounces _____	4,244	5,156
Total Production, ounces gold _____	245,933	253,189
ounces silver _____	25,264	25,504

The lower grade mill feed, experienced throughout 1963, was in part due to the stoping cycle. During the year, a number of old, large, and highly productive stopes were in the clean-up stage, and smaller and more difficult stopes had to supply a greater proportion of the mill feed. In some of the new stoping blocks the ore lenses proved to be more irregular than anticipated, and there was more than normal dilution. It is hoped that this situation can be corrected as these stopes advance. However, it must be recognized that a large proportion of the presently developed ore is in bodies which are structurally more complex than those previously mined.

During the year, continued research on roasting and flotation techniques resulted in further improvements in the recovery of gold, which at 87.27% was an all time high.

MINE DEVELOPMENT — EXPLORATION:

Development work was concentrated in the North Giant and the LAW zones. The latter zone was discovered in 1962 by drilling from the northern extension of the 750-foot level. An important concentration of ore has been indicated in these two zones between surface and the 750-foot level. Ore developed by definition drilling, in this area, was sufficient to replace a large part of the ore mined during the year. There were some additions in the Trough Zone, and in older stoping blocks.

Exploratory surface diamond drilling was carried out along the west side of the property in the central B shaft area and in the A shaft area. In the former, a strong structure carrying narrow and erratic lenses of gold-bearing mineralization was indicated over a strike length of 600 feet. This will be investigated in more detail during 1964. No results of importance were obtained in the A shaft area.

ORE RESERVES:

During the year ore reserves were maintained. The estimate of developed ore, shown in the following table, was calculated with a greater dilution factor than used in previous years.

	Tons	Oz. Gold per Ton
Active Stopes	1,114,000	0.79
Pillars	114,000	0.77
Other Developed Ore	1,372,000	0.72
Total Developed Ore	2,600,000	0.75

OPERATING COSTS:

Operating costs during 1963 were \$12.26 per ton milled, compared with \$12.62 in 1962.

CAPITAL EXPENDITURES:

The principal items in the capital program during the year were the automation of the C shaft skip hoist, and the construction of five residences in Yellowknife Townsite. Total expenditures were \$167,000.

OUTSIDE EXPLORATION:

During the 1963 prospecting season, field crews were active in the Keewatin District, the Contwoyto and Point Lake areas, Northwest Territories, and in the Carcross area, Yukon Territory.

GIANT *yellowknife mines* LIMITED

REPORT OF THE MINE MANAGER CONTINUED

A program of diamond drilling was completed on the iron deposits at Mistake Bay, on the west shore of Hudson's Bay, Keewatin District, and a 21-year lease on the property will be obtained in 1964. Magnetometer and electromagnetic surveys were carried out on the nearby Torin Group. These claims will be maintained.

The claim groups in the Contwoyto Lake area, which were staked or optioned in 1962, were prospected during the early part of the season. Nothing of importance was found on them.

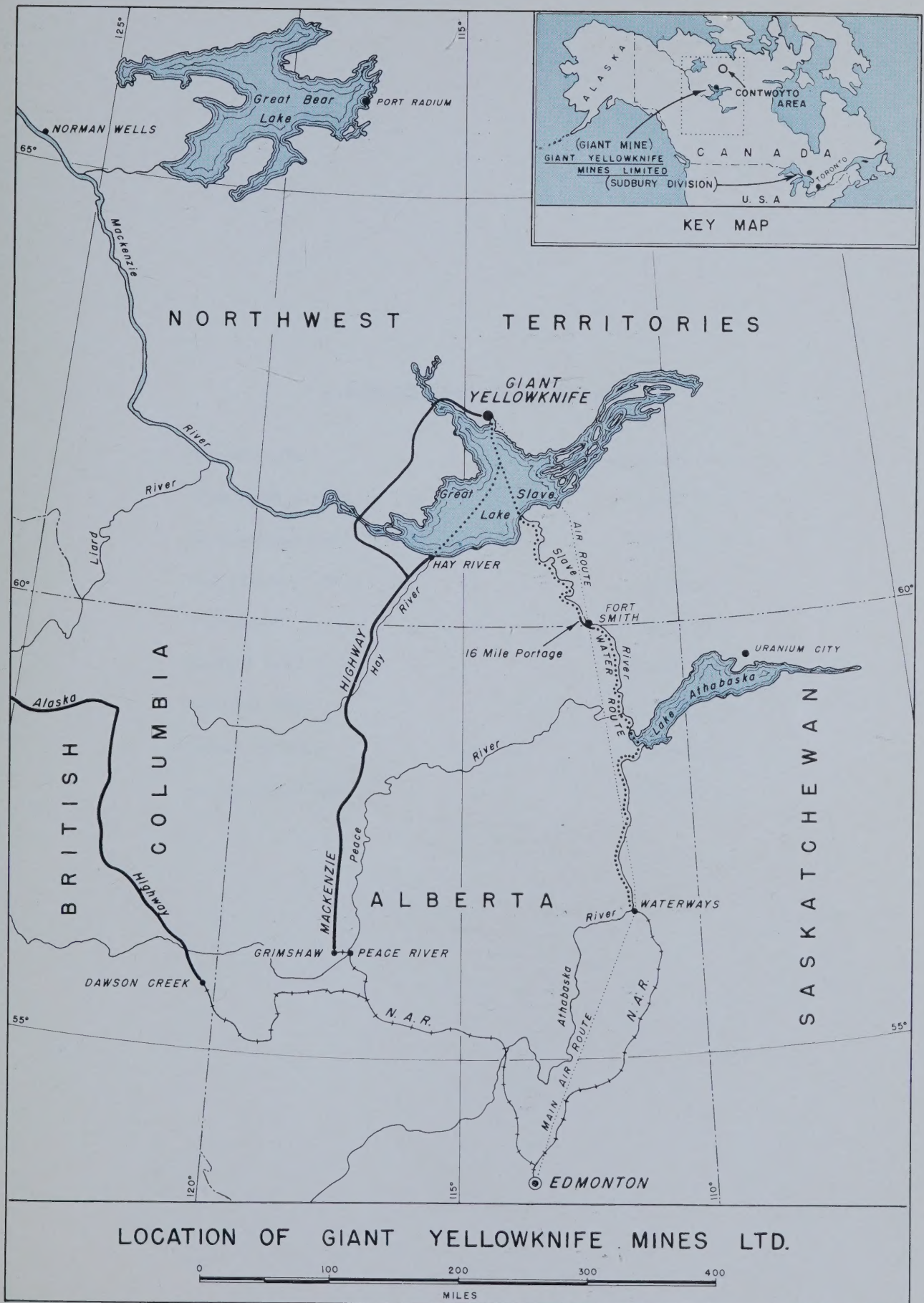
In the latter part of the season, two properties were acquired in the area north of Point Lake. A group of 82 claims was staked to cover two strong gossan zones in which gold-bearing mineralization was discovered. An option was taken on a 38-claim group on which gold-bearing float indicates a zone of possible importance. Diamond drill tests in 1964 are planned for both properties.

A small crew worked in the Carcross area of Yukon Territory. Some interesting silver-lead veins were investigated, but no conclusive results were obtained.

I wish to express my appreciation for the support and assistance of the President, Directors and Consultants and to express my thanks to the staff and general roll employees for their cooperation.

D. R. DeLAPORTE,
Mine Manager.

Yellowknife, N.W.T.,
February 7, 1964.



MINE OPERATING OFFICIALS

D. R. DeLaporte	-	-	-	-	-	-	-	-	Mine Manager
G. S. Dundas	-	-	-	-	-	-	-	-	Mine Superintendent
G. F. Ekins	-	-	-	-	-	-	-	-	Plant Superintendent
R. J. McLeod	-	-	-	-	-	-	-	-	Mill Superintendent
E. O. Foster	-	-	-	-	-	-	-	-	Metallurgist
R. G. Muscroft	-	-	-	-	-	-	-	-	Chief Engineer
D. J. Emery	-	-	-	-	-	-	-	-	Mine Geologist
H. C. Russell	-	-	-	-	-	-	-	-	Chief Accountant
A. T. Rivett	-	-	-	-	-	-	-	-	Personnel Supervisor

